

Message Text

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FOR ACTING ASSISTANT SECRETARY HARROP

EO 11652: N/A
TAGS: EAID, GH
SUBJ: FY 1979 AND FY 1980 BUDGETED ASSISTANCE TO GHANA

REF: STATE 224147

SUMMARY. PROPOSED CUTS IN OUR AID LEVELS, ABOVE ALL IMETP, AND A FAILURE TO PROVIDE PL-480 AND AFRICAN STABILIZATION FUNDS RESOURCES TO GHANA IN FY 1979 AND 80 WOULD JEOPARDIZE THE POLITICAL AND ECONOMIC REFORMS NOW BEING UNDERTAKEN BY THE PRO-WESTERN, RECONSTITUTED SMC GOVERNMENT OF GHANA. ANOTHER SUCH CHANCE FOR CONSTRUCTIVE CHANGE IS UNLIKELY TO COME SOON AGAIN. END SUMMARY.

1. GENERAL. WE HAVE, IN THE PRESENT RECONSTITUTED SMC, PROBABLY THAT GOVERNMENT BEST ABLE TO BEGIN THE LONG-OVERDUE TASK OF REVERSING GHANA'S ECONOMIC DECLINE. IT IS COMMITTED TO ECONOMIC POLICY REFORM AND IS CLEARLY PRO-WESTERN IN ATTITUDE. CRITICAL TO THE SUCCESS OF ITS NEW ECONOMIC POLICIES IS THE CONTINUING SUPPORT OF THE OFFICER CORPS AND ADEQUATE FOREIGN EXCHANGE RESOURCES TO FINANCE IMPORTS. THIS GOVERNMENT IS ONE WE, IN CONCERT

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WITH IMF AND OTHER BONDS, SHOULD SUPPORT TO IMPROVE THE PROSPECTS FOR THE SUCCESSFUL IMPLEMENTATION OF THE STABILIZATION PROGRAM NOW UNDER NEGOTIATION WITH THE IMF. THE OUTLOOK IS THAT A REASONABLE SET OF ECONOMIC REFORMS WILL BE IN PLACE BY VERY EARLY IN FY 79. US ASSISTANCE FLOWS, BOTH ECONOMIC AND MILITARY, MUST GROW ABOVE THEIR TOTAL LEVELS UNDER THE ACHEAMPONG GOVERNMENT AND

NEW ELEMENTS MUST BE ADDED. WHILE CUTS IN CERTAIN PROJECT AID LEVELS MAY BE INEVITABLE, WE NEED THE FLEXIBILITY, PARTICULARLY IN FY 1979, TO PROVIDE PL-480 COMMODITY AND AID PROGRAM LOANS, TO STRENGTHEN OUR MILITARY TRAINING PROGRAM, AND TO RESPOND FAVORABLY TO THE MODEST GOG REQUEST FOR MILITARY SOFTWARE. THIS NEW GOVERNMENT REPRESENTS THE BEST CHANGE FOR CONSTRUCTIVE POLICY CHANGE IN GHANA IN A GOOD MANY YEARS: IT DESERVES OUR SUPPORT, PARTICULARLY IN FY 79, AS IT INTRODUCES IMPORTANT REFORMS, WITH THE ATTENDANT POLITICAL RISKS SUCH CHANGES INEVITABLY BRING.

2. DEVELOPMENT ASSISTANCE: FY 79 AND FY 80. I AM DISAPPOINTED AT THE DEPTH OF THE CUTS FROM OUR AID MISSION'S ANNUAL BUDGET SUBMISSION AND HOPE THAT AT LEAST SOME PORTION CAN BE RESTORED, DESPITE THE OVERALL REGION REDUCTIONS.

3. PL-480, TITLE I. THE 5.4 MILLION DOLLARS FOR GHANA NOW IN THE FY779 DESIGNATED RESERVE SHOULD BE SHIFTED TO THE ALLOCATIONS COLUMN AND THE AMOUNT INCREASED TO THE 7 TO 10 MILLION WE REQUESTED.

4. TITLE II. WE ASSUME THAT THE CUTS FROM OUR ANNUAL BUDGET SUMMISSION FOR FY'79 AND FY'80 ARE TO COME FROM THE OPERATING RESERVES. I REGRET THE LOSS OF FLEXIBILITY LIMITED OFFICIAL USE

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SUCH RESERVES WOULD PROVIDE.

5. SECURITY SUPPORTING ASSISTANCE. I STRONGLY SUPPORT THE AF PROPOSAL FOR AN AFRICAN STABILIZATION FUND AND THE USE OF THE FUND IN FY'79 IN SUPPORT OF THE STABILIZATION PROGRAM FOR GHANA NOW UNDER NEGOTIATION WITH THE IMF. WE HAVE RECOMMENDED A LEVEL OF TEN MILLION DOLLARS FOR GHANA IN FY 1979, PROVIDED GOG PROGRAM IS SATISFACTORY.

6. MILITARY ASSISTANCE. WE HAVE RECEIVED AN INFORMAL REQUEST FROM THE CHIEF OF DEFENSE STAFF FOR GRANT ASSISTANCE FOR UNIFORMS, MEDICAL SUPPLIES AND COMMUNICATIONS EQUIPMENT, AND A FORMAL REQUEST WILL FOLLOW. WE EXPECT THE VALUE OF THE GOODS SOUGHT WILL NOT EXCEED DLRS 5 MILLION OVER TWO YEARS. ACCORDINGLY, I RECOMMEND THAT DLRS 2.5 MILLION BE RESERVED IN BOTH FY'79 AND FY'80 TO PERMIT US TO RESPOND FAVORABLY TO THIS REQUEST IN TANDEM WITH OUR RESPONSE TO THE GOG ECLNOMIC AID REQUESTS.

7. IMETP. I COMPLETELY FAIL TO UNDERSTAND THE DECISION OF THE SECURITY ASSISTANCE WORKING GROUP TO CUT GHANA'S IMETP FUNDS TO 137,000 DOLLARS FROM OUR PROPOSED FY'79

AND FY'80 GRANT AID LEVELS OF 275,000 DOLLARS. THIS IS
ONE OF THE LEAST EXPENSIVE AND POLITICALLY MOST EFFECTIVE
PROGRAMS WE HAVE IN GHANA. GIVEN THE ECONOMIC AND POLITICAL
PROMISE OF THE RECONSTITUTED SMC, TO CUT BACK NOW FROM
THE EXTREMELY MODEST LEVELS UNDER THE ACHEAMONG ERA
WOULD SEND THE WORST POSSIBLE SIGNAL, AND COST US AND
INEXPENSIVE OPPORTUNITY TO ENABLE GHANA'S MILITARY LEADERS
TO MEET THE REASONABLE TRAINING NEEDS OF MIDDLE-GRADE
OFFICERS. SMITH

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